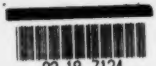

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

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For Quarter Ended May 31, 1992

Commission File Number 2-91218-B

International Electronics, Inc.
(Exact name of registrant as specified in its charter)

| Massachusetts | 04-2654231 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

| 427 Turnpike Street, Canton, Massachusetts | 02021 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

(617) 821-5566
(Registrant's telephone number, including area code)

Not applicable
(former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

3,994,276 common shares were outstanding at July 5, 1992.

INTERNATIONAL ELECTRONICS, INC.

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INTERNATIONAL ELECTRONICS, INC.

CONSOLIDATED BALANCE SHEETS
(unaudited)

| | May 31, 1992 | August 31, 1991 (See note below) |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and equivalents | $798,160 | $345,979 |
| Accounts receivable, net | 494,596 | 415,907 |
| Inventories | 465,247 | 452,493 |
| Other current assets | 59,931 | 39,774 |
| Total current assets | 1,817,934 | 1,254,153 |
| Other assets | 15,386 | 15,074 |
| Equipment, furniture and improvements, net | 121,978 | 164,784 |
| Goodwill and other intangibles, net | 868,663 | 974,444 |
| | $2,823,961 | $2,408,455 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Note payable to bank | $500,000 | $500,000 |
| Notes payable to shareholders | - | 83,480 |
| Accounts payable | 315,073 | 272,845 |
| Accrued expenses | 381,256 | 372,229 |
| State income taxes | 10,200 | |
| Current portion of long-term obligations | 19,704 | 16,204 |
| Total current liabilities | 1,226,233 | 1,244,758 |
| Long-term obligations | 22,860 | 70,087 |
| Notes payable to shareholders | 25,000 | 275,000 |
| Commitments | | |
| Shareholders' equity: | | |
| Common stock, $.01 par value: Authorized 11,953,125 shares Issued and outstanding 3,994,276 and 2,939,539 shares | 39,942 | 29,395 |
| Capital in excess of par value | 4,559,266 | 3,932,717 |
| Deficit | (3,049,340) | (3,143,502) |
| Total shareholders' equity | 1,549,868 | 818,610 |
| | $2,823,961 | $2,408,455 |

Note: The balance sheet at August 31, 1991 has been taken from the audited consolidated financial statements at that date.

See notes to unaudited consolidated financial statements.

INTERNATIONAL ELECTRONICS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | May 31, 1992 | May 31, 1991 | May 31, 1992 | May 31, 1991 |
| Net sales | $1,195,148 | $1,019,471 | $3,459,261 | $2,996,791 |
| Cost of sales | 692,425 | 591,456 | 1,971,601 | 1,797,000 |
| Gross profit | 502,723 | 428,015 | 1,487,660 | 1,199,791 |
| Research and development costs | 73,175 | 52,024 | 190,992 | 178,772 |
| Selling, general and administrative expenses | 389,762 | 402,591 | 1,158,161 | 1,257,361 |
| Income (loss) from operations | 39,786 | (26,600) | 138,507 | (236,342) |
| Interest expense | (13,542) | (26,299) | (57,858) | (80,690) |
| Other income | 7,006 | 2,102 | 23,713 | 8,773 |
| Income (loss) before taxes | 33,250 | (50,797) | 104,362 | (308,259) |
| State income taxes | 3,700 | - | 10,200 | - |
| Net income (loss) | $29,550 | ($50,797) | $94,162 | ($308,259) |
| Net income (loss) per share | $.01 | ($.02) | $.03 | ($.11) |
| Weighted average number of shares outstanding | 3,662,733 | 2,939,539 | 3,348,308 | 2,914,999 |

See notes to unaudited consolidated financial statements.

INTERNATIONAL ELECTRONICS, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(unaudited)

| | Common Stock Shares | Amount | Capital in excess of par value | Deficit | Total |
|---|---|---|---|---|---|
| Balances, September 1, 1991 | 2,939,539 | $29,395 | $3,932,717 | ($3,143,502) | $818,610 |
| Common stock issued in a private placement for reduction of notes payable | 508,644 | 5,086 | 249,236 | - | 254,322 |
| Common stock issued upon exercise of stock warrants for reduction of notes payable | 75,362 | 754 | 25,924 | - | 26,678 |
| Units issued in a private placement | 387,097 | 3,871 | 287,402 | - | 291,273 |
| Units issued in a private placement for reduction of notes payable | 83,634 | 836 | 63,980 | - | 64,816 |
| Sale of stock warrants | - | - | 7 | - | 7 |
| Net income | - | - | - | 94,162 | 94,162 |
| Balances, May 31, 1992 | 3,994,276 | $39,942 | $4,559,266 | ($3,049,340) | $1,549,868 |

See notes to unaudited consolidated financial statements.

INTERNATIONAL ELECTRONICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| | Nine months ended | |
|---|---|---|
| | May 31, 1992 | May 31, 1991 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | $94,162 | ($308,259) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 176,763 | 167,121 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (78,689) | (122,782) |
| Inventories | (12,754) | 280,099 |
| Other current assets | (20,157) | 36,890 |
| State income taxes | 10,200 | - |
| Accounts payable and accrued expenses | 51,255 | (75,462) |
| Net cash provided by (used in) operating activities | 220,780 | (22,393) |
| CASH FLOWS FROM INVESTING ACTIVITIES AND OTHER: | | |
| Net purchase of equipment, furniture and improvements | (18,449) | (14,033) |
| Goodwill and other intangibles and other assets | (10,039) | 5,961 |
| Net cash used in investing activities and other | (28,488) | (8,072) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Additions to notes payable and debt obligations | 12,336 | 114,685 |
| Issuance of units and stock warrants | 291,280 | 100,000 |
| Reduction of notes payable and debt obligations | (43,727) | (83,754) |
| Net cash provided by financing activities | 259,889 | 130,931 |
| CASH AND EQUIVALENTS: | | |
| Net increase during period | 452,181 | 100,466 |
| Balances, beginning of period | 345,979 | 120,745 |
| Balances, end of period | $ 798,160 | $ 221,211 |
| SUPPLEMENTAL SCHEDULE OF NONCASH TRANSACTIONS: | | |
| Issuance of common stock | $345,816 | $ - |
| Reduction of notes payable to shareholders for issuance of common stock and units | (345,816) | - |
| | $ - | $ - |

See notes to unaudited consolidated financial statements.

INTERNATIONAL ELECTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

A. Financial Statements:

In the opinion of the Company, the unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position as of May 31, 1992 and the results of operations for the three and nine months then ended.

Certain disclosures normally included have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, although the Company believes the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended August 31, 1991.

B. Net Income (Loss) per Share:

Net income (loss) per share is based on the weighted average common shares outstanding during the periods. Common stock equivalents have not been included as their effect would be anti-dilutive.

C. Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Ecco Industries, Inc. ("Ecco"). All material intercompany transactions, balances and profits have been eliminated.

D. Note Payable to Bank:

Through August 31, 1991, the Company had outstanding, a bank line of credit of $500,000, with interest at the prime rate plus 1%. Available borrowings were based upon percentages of inventory and accounts receivable, which have been pledged as collateral under the agreement. The Company had to comply with certain restrictive covenants, which included maintaining a minimum of $350,000 in net worth, a working capital ratio of at least 1.2 to 1 and a debt to equity ratio of no greater than 2.3 to 1. No compensating balances were required under the line.

In May, 1991, the Company's bank, Boston Trade Bank, was declared insolvent and closed The Federal Deposit Insurance Corporation was appointed Receiver and became the holder of the line of credit. The line of credit expired on August 31, 1991 and remains outstanding as of July 5, 1992.

Through August 31, 1991, the lender had given the Company a waiver, as of such date, regarding a default in the bank's working capital covenant.

E. Long-term obligations:
Long-term obligations are summarized as follows:

| | May 31, 1992 (unaudited) | Aug. 31, 1991 (audited) |
|---|---|---|
| Equipment loan, collateralized by equipment, interest at prime plus 1%, final payment due August, 1992 | $ 9,500 | $ 12,500 |
| Other | 21,500 | 51,500 |
| 7%-15% equipment loans, collateralized by equipment, final payment due September, 1993 | 11,564 | 22,291 |
| | 42,564 | 86,291 |
| Less current portion | (19,704) | (16,204) |
| | $22,860 | $70,087 |

Other long-term obligations consist primarily of liability for future security registrations, and other miscellaneous liabilities.

The aggregate principal payments on long-term obligations at May 31, *1992 are $19,704 (1992) and $22,860 (1993).*

F. Notes Payable to Shareholders:

Notes payable to shareholders consist of:

| | May 31, 1992 (unaudited) | Aug. 31, 1991 (audited) |
|---|---|---|
| 12% subordinated notes payable, due June 30, 1993 | $25,000 | $275,000 |
| 12% notes payable and accrued interest, due June 30, 1992 | - | 83,480 |
| | 25,000 | 358,480 |
| Less current portion | - | (83,480) |
| | $25,000 | $275,000 |

In November, 1991 and February, 1992, the Company issued an aggregate of 584,006 shares of common stock for a reduction of $281,000 in notes payable. In May, 1992, the Company issued 83,634 units as described in Note G for a reduction of $64,816 of notes payable.

In conjunction with the acquisition of Ecco, the Company issued $175,000 in June, 1990 and $100,000 in November, 1990 of 12% subordinated notes to shareholders due June 30, 1993 and warrants to purchase an aggregate of 82,899 shares of common stock (Note I).

G. Capital Transactions:

In November, 1991 and February, 1992 the Company issued an aggregate of 584,006 shares of common stock, of which 75,362 shares were issued upon the exercise of stock warrants, for a reduction of $281,000 in notes payable from shareholders (Note F). Certain shareholders were granted piggyback registration rights and certain anti-dilution provisions.

In January, 1992 the Company granted warrants to a financial consultant to purchase 7,000 shares of common stock at an exercise price of $.50 per share, exercisable until 2002. In April, 1992 the Company granted two year warrants to a public relations firm to purchase 34,838 shares of common stock at an exercise price of $1.10 per share.

In April, 1992, the Company issued in a private placement, 387,097 units as defined below for net proceeds of $291,273, with offering costs of $8,727. In May, 1992, the Company issued 83,634 units as defined below for a reduction of $64,816 in notes payable from shareholders (Note F). Each unit consists of one share of common stock and a warrant to purchase an additional share of common stock exercisable at $1.10 per share. The warrants are exercisable

G. Capital Transactions (continued):

for one year from their issue date and may be repurchased by the Company for nominal consideration, if the bid price of the Company's common stock exceeds $1.265 for twenty consecutive trading days. These shareholders and warrantholders were granted certain registration rights and anti-dilution provisions.

H. Basis of Presentation:

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company's continuation as a going concern depends on its ability to maintain existing debt and a profitable level of operations and/or to obtain additional financing. The Company's bank line of credit expired on August 31, 1991, and remains outstanding as of July 5, 1992 (Note D).

Although certain goals of the Company's 1991 plan were achieved, the Company's current business plan continues to reflect the need to reduce operating losses. The losses incurred in 1991, 1990 and 1989 primarily reflect costs associated with establishing a national sales force, and related marketing expenses, quality problems with the Company's then principal supplier and a sales volume not adequate to meet its operating expenses. These factors raised substantial doubt about the Company's ability to continue as a going concern.

The Company has instituted a number of measures intended to improve its financial position. These measures have included discontinuing its relationship with its then principal supplier and commencing in-house manufacturing, consolidating its manufacturing and administrative facilities, issuing subordinated notes and equity securities, and converting shareholder debt to equity (Notes F and G). Management believes that these efforts combined with maintaining a line of credit and its current sales volume will enable the Company to meet its future cash requirements. There is no assurance that the Company's sales volume will be maintained, it will maintain a bank line of credit, profits will be sustained or additional financing will be obtainable, if required. In the event the Company is unable to maintain its existing debt and obtain additional working capital through profitable operations or additional financing, the Company will be unable to continue the introduction and development of new products and will have to reduce its fixed expenses and may be unable to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

I. Subsequent Events:

In June, 1992, the Company repaid $25,000 of 12% notes payable to shareholders due June 30, 1993 (Note F).

In June, 1992, the Company committed to purchasing certain equipment for $132,000. The purchase will be financed by a three-year note, secured by cash of approximately $95,000 to be held in escrow. The lender may release the escrow requirement in fiscal 1993 based on certain circumstances.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

### Liquidity and Capital Resources

As of May 31, 1992, the Company had working capital of $591,701 compared to $9,395 at August 31, 1991. The ratio of current assets to current liabilities at May 31, 1992 was 1.5 as compared to 1.0 at August 31, 1991. The debt to equity ratio was .8 at May 31, 1992 and 1.9 at August 31, 1991. The increase in working capital and decrease in debt to equity are the result of the private placement of equity securities, the Company's net income, and conversion of debt to equity during the first nine months of fiscal 1992. See Notes F and G of Notes to Unaudited Consolidated Financial Statements.

Net capital expenditures were $18,449 and $14,033 for the nine months ended May 31, 1992 and 1991, respectively. The Company has a current commitment of $132,000 for capital equipment, and anticipates purchasing an additional $130,000 in capital expenditures for the purchase of manufacturing equipment, regulatory testing and tooling costs over the next twelve months. See Note I of Notes to Unaudited Consolidated Financial Statements.

Through August 31, 1991, the Company had the maximum of $500,000 outstanding under a bank line of credit. See Notes D and H of Notes to Unaudited Consolidated Financial Statements. In May, 1991 the Commissioner of Banks of the Commonwealth of Massachusetts declared the Company's bank insolvent, and appointed the Federal Deposit Insurance Corporation ("FDIC") as liquidating agent of the bank. The line of credit expired on August 31, 1991 and has not been renewed, but remains outstanding as of July 5, 1992. The Company continues to be current in interest payments to the FDIC. The Company continues to seek a new financial institution or finance company.

In order to improve its financial position, the Company in March, 1991 entered into a lease to consolidate its manufacturing and administrative facilities, during the first nine months of fiscal 1992 issued equity securities in exchange for an aggregate reduction of $345,816 in notes payable due shareholders and in April, 1992 issued in a private placement, securities consisting of common stock and warrants for net proceeds of approximately $291,000. Management believes that its current cash position, coupled with maintaining a line of credit together with internally generated funds at current sales levels, will satisfy its cash requirements for the remainder of fiscal 1992. Depending upon whether or not sufficient revenue and working capital is maintained from profitable operations and the Company maintains a line of credit, the Company may require external funding. There is no assurance that profits will be generated or external funding will be obtainable, if such a need should arise. In the event that the Company is unable to obtain additional working capital through profitable operations and/or additional financing, and maintain a bank line of credit, the Company will be unable to continue the introduction and development of new products and will have to reduce its fixed expenses and may be unable to continue as a going concern. The Company's independent auditors' report for fiscal 1991 includes a going concern qualification.

Results of Operations

Net sales for the third quarter of fiscal 1992 increased 17% as compared to the third quarter of fiscal 1991, reflecting increases primarily in glassbreak and keypad product sales. Net sales for the first nine months of 1992 increased 15% as compared to the first nine months of 1991, reflecting increases in audio detector and keypad product sales and engineering services, offset in part by a reduction in voice verification and glass-gard sales. The Company continues to have a dependence on large volume sales to large customers and therefore remains subject to quarterly fluctuations primarily as a result of an uneven flow of orders from its current customer base.

The ratio of gross profit to sales for both the three months ended May 31, 1992 and 1991 were 42%. The ratio of gross profit to sales for the nine months ended May 31, 1992 and 1991 were 43% and 40%, respectively. The increase in gross profit for the first nine months of 1992 is due to product mix, increased manufacturing efficiencies and reduction in royalty expense.

The increase in research and development costs in the third quarter of 1992 as compared to the third quarter of 1991 is primarily due to the hiring of a subcontract worker to perform certain development projects. The increase in research and development expenses for the first nine months of 1992 as compared to 1991 primarily relate to the hiring of the subcontract worker and increased expenses associated with new product introductions expected in the fourth quarter of 1992, offset in part by the allocation of certain engineering services to cost of sales.

The decrease in selling, general and administrative expenses for the three and nine months ended May 31, 1992, as compared to the corresponding periods of the prior year primarily relates to reductions in the Company's work force and related sales expenses.

The increase in other income primarily relates to an increase in interest earned due to additional cash reserves. The decrease in interest expense is due to a reduction in borrowings from shareholders, and a reduction in interest rates from the Company's working capital line of credit.

State income taxes of $10,200 for the first nine months of 1992 is the net tax expense due by the Company, after utilization of available net operating loss carryforwards.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

(1) Purchase Agreement with investors represented by Kennedy Capital Management, Inc.

(2) Stock Purchase and Sale Agreement with Agia, Inc.

(b) There were no reports on Form 8-K filed for the three months ended May 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, who is duly authorized to sign and is Chief Financial and Accounting Officer.

International Electronics, Inc.

Date: 7/10/92

John Waldstein, President,
Treasurer & Chief Financial and Accounting Officer and duly authorized to sign.

INTERNATIONAL ELECTRONICS, INC.

INDEX TO EXHIBITS

(1) Purchase Agreement with investors represented by Kennedy Capital Management, Inc.

(2) Stock Purchase and Sale Agreement with Agia, Inc.

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INTERNATIONAL ELECTRONICS, INC.

PURCHASE AGREEMENT

This Purchase Agreement (hereinafter referred to as the "Agreement") is made this 28th day of April, 1992 between International Electronics, Inc., a duly organized and existing Massachusetts corporation with a principal place of business at 427 Turnpike Street, Canton, Massachusetts 02021 (hereinafter referred to as the "Company") and the purchasers listed on Schedule A attached hereto (hereinafter referred to as the "Purchasers").

WHEREAS, the Company desires to issue and sell 387,097 Units, as defined hereinafter, for $300,000 to the Purchasers; and

WHEREAS, the Purchasers desire to purchase Units having the total dollar value set forth beside their names on the signature page hereto.

NOW THEREFORE, in consideration of the mutual promises and the representations, warranties, covenants and conditions set forth in this Agreement, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS.

"Common Stock" shall mean the Company's $.01 par value Common Stock as authorized on the date of this Agreement.

"Purchase Price" for each Unit will be $.775.

"Securities Act" shall mean the Securities Act of 1933 or any similar Federal statute, and the rules and regulations of the Securities and Exchange Commission (or of any other Federal agency then administering the Securities Act) thereunder, all as the same shall be in effect at the time.

"Unit" shall mean one share of the Company's Common Stock and one warrant to purchase one share of the Company's Common Stock, which warrant shall expire one year from the date of issue of the Units to the Purchasers thereof, and which Warrant shall be exercised at a price of $1.10 for each share of Common Stock (the "Warrant Purchase Price").

"Warrant" shall mean the Warrant which is a part of the Unit.

2. PURCHASE OF UNITS AND REPRESENTATIONS OF PURCHASER.

2.1. Subject to the terms and conditions hereinafter set forth, the Purchasers each hereby purchase the number of Units determined by dividing the dollar amount set forth beside their name on the signature page hereto, by the Purchase Price for each Unit. The amount to be paid for all Units shall be by cashier's check payable to the Company, or by wire transfer to an account determined by the Company, and shall be paid contemporaneously with the execution and delivery of this Agreement. The Units will be delivered by the Company to the Purchasers as soon as possible following the payment of the purchase price.

2.2. The Purchasers recognize that the purchase of the Units involves a high degree of risk in that an investment in the Company is highly speculative and only an investor who can afford to lose his entire investment in the Company should purchase the Units.

2.3. The Purchasers acknowledge that they are each able to bear the economic risk of this investment.

2.4. The Purchasers each represent that it or they are each an "accredited investor", as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act.

2.5. The Purchasers acknowledge that it and they have prior investment experience, including investment in non-listed and non-registered securities, or it and they have employed the services of an investment advisor, attorney or accountant to read all of the documents furnished or made available by the Company to it and to evaluate the merits and risks of such an investment on its behalf.

2.6. The Purchasers hereby represent that it and they have been furnished by the Company during the course of this transaction with all information regarding the Company which it had requested or desired to know including without limitation the Company's 10-K for 1991, the Company's Annual Report for 1991 and the Company's 10-Q for the quarter ended November 30, 1991; that all documents which could be reasonably provided have been made available for its and their inspection and review; and that such information and documents have, in its and their opinion, afforded the Purchasers with all of the same information that would be provided it and them in a registration statement filed under the Securities Act; that it and they have been afforded the opportunity to ask questions of and receive answers from duly authorized officers or other representatives of the Company concerning the terms and conditions of the investment in the

Company, and any additional information which it or they have requested.

2.7. The Purchasers hereby acknowledge it and they understand that this offering has not been reviewed by the Securities and Exchange Commission (the "Commission") since this offering is intended to be a non-public offering pursuant to Regulation D under the Securities Act. The Purchasers represent that the Units, the shares of Common Stock and the Warrants are being purchased for its and their own accounts, for investment, and not for distribution or resale to others. The Purchasers agree that it and they will not sell or otherwise transfer such securities unless they are registered under the Securities Act or unless an exemption from such registration is available.

2.8. The Purchasers understand that the Units, the shares of Common Stock and the Warrants have not been registered under the Securities Act by reason of a claimed exemption under the provisions of the Securities Act which depends, in part, upon its and their investment intention. In this connection, the Purchasers understand that it is the position of the Commission that the statutory basis for such exemption would not be present if its representations merely meant that its present intention was to hold such securities for a short period, for a deferred sale, for a market rise, assuming that a market develops, or for any other fixed period. The Purchasers realize that, in the view of the Commission, a purchase now with an intent to resell would represent a purchase with an intent inconsistent with its representation to the Company, and the Commission might regard such a sale or disposition as a deferred sale to which the exemption is not available.

2.9. The Purchasers consent that the Company may, if it desires, permit the transfer of the shares of Common Stock, or the Warrants, out of its or their names only when its or their request for transfer is accompanied by an opinion of counsel reasonably satisfactory to the Company that neither the sale nor the proposed transfer results in a violation of the Securities Act or any applicable state "blue sky" laws (collectively, the "Securities Laws"). The Purchasers agree to hold the Company, its directors, officers and controlling persons and their respective heirs, representatives, successors and assigns harmless and to indemnify them against all liabilities, costs and expenses incurred by them as a result of any misrepresentation made to it contained herein or in the Confidential Purchasers Questionnaire completed by the Purchasers or any sale or distribution by the Purchasers in violation of any Securities Laws.

2.10. The Purchasers consent to the placement of a legend on any certificate or other document evidencing the shares of Common Stock or, the Warrants, and the Common Stock issuable upon exercise of the Warrant, stating that they have not been registered under the Securities Act and setting forth or referring to the restrictions on transferability and sale thereof. The Purchasers are aware that the Company will make a notation in its appropriate records with respect to the restrictions on the transferability of such securities.

3. REPRESENTATIONS BY, AND COVENANTS OF, THE COMPANY.

The Company represents and covenants to the Purchaser that:

3.1. The Company is a corporation duly organized, existing and in good standing under the laws of the Commonwealth of Massachusetts, and has the corporate power to conduct the business which it conducts and proposes to conduct.

3.2. The execution, delivery and performance of this Agreement by the Company has been duly approved by the Board of Directors of the Company and all other actions required to authorize and effect the offer and sale of the Units have been duly taken and approved.

3.3. The Common Stock and the Warrants included in the Units have been duly and validly authorized and, when issued and paid for in accordance with the terms hereof, will be validly binding obligations of the Company enforceable in accordance with their respective terms except as the enforceability thereof may be limited by bankruptcy, insolvency, or other laws affecting the rights of creditors generally or by general equitable principles.

3.4. The Company will at all times during the term of the Warrants have duly authorized and reserved a sufficient number of shares of Common Stock to provide for the exercise of such Warrants.

3.5. The shares of the Common Stock issuable upon exercise of the Warrants, when issued and paid for in accordance with the terms of the Warrants will be duly and validly issued, fully paid and non-assessable.

3.6. The Company has obtained all licenses, permits and other governmental authorizations necessary to the conduct of its business; such licenses, permits and other governmental authorizations obtained are in full force and effect; and the Company is in all material respects complying therewith.

4. REGISTRATION OF SECURITIES.

4.1. The Company will use its best efforts to effect the registration under the Securities Act of all Common Stock purchased as part of the Units and to register the shares of Common Stock reserved for issuance upon exercise of the Warrants. Such registration shall be made in conjunction with the Company's Form 10-K for the year ending August 31, 1992. The registration required by this Section 4 shall be based upon the financial reports prepared by the Company's auditors for such Form 10-K. All expenses of registration shall be born by the Company except that the Purchasers shall bear any legal, accounting or other expenses attributable solely to any particular condition of the Purchaser. It is understood that this provision is only meant to impose an obligation on any particular Purchaser for expenses which are incurred because of that particular Purchaser. This registration shall be a one time registration for all of the Common Stock related to Units sold pursuant to this Agreement.

4.2. The Company's obligation to register as provided in this Section 4 is conditioned upon the Purchasers cooperating with and furnishing of all information reasonably required by the Company for the purpose of completing the registration statement to be prepared by it. The Company will indemnify and hold harmless each Purchaser of Common Stock which is included in a registration statement pursuant to the provisions of this Agreement, from and against, and will reimburse such Purchaser with respect to, any and all claims, actions, demands, losses, damages, liabilities, costs and expenses to which such Purchaser may become subject under the Securities Act or otherwise, insofar as such claims, actions, demands, losses, damages, liabilities, costs or expenses arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or arise out of any violation by the Company of any rule or regulation under the Securities Act applicable to the Company and relating to action or inaction required of the Company in connection with such registration; provided, however, that the Company will not be liable in any such case to the extent that any such claim, action, demand, loss, damage, liability, cost or expense is caused by an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in strict conformity with information furnished by a Purchaser.

4.3. Each Purchaser of Common Stock which is included in a registration pursuant to the provisions of this Agreement will indemnify and hold harmless the Company from and against, and will reimburse the Company with respect to, any and all losses, damages, liabilities, costs or expenses to which the Company may become subject under the Securities Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue or alleged untrue statement of any material fact contained in the registration statement, any prospectus contained therein, or any amendment or supplement thereto, or are caused by the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission in the registration statement, any prospectus contained therein, or any amendment or supplement thereto was so made in reliance upon and in strict conformity with written information furnished by such Purchaser specifically for use in the preparation thereof.

5. NOTICE.

5.1. Any notices required hereunder shall be in writing and deemed to have been received (a) on the date delivered if delivered in hand, (b) the next following business day after being sent if sent by Federal Express or similar service, or (c) two business days after mailing, postage prepaid, by certified mail, return receipt requested, to the party entitled to notice at the addresses as follow, or such other address as may be directed by notice given hereafter. A business day shall be deemed any day on which the United States Postal Service shall have regular mail delivered to the address to which the notice shall be directed:

If to the Company: John Waldstein, President
International Electronics, Inc.
427 Turnpike Street
Canton, Massachusetts 02021

With copy to: Peter Myerson, Esquire
Barron & Stadfeld, P.C.
Two Center Plaza
Boston, MA 02108

If to the Purchasers: At the addresses set forth on Schedule A attached hereto

6. MISCELLANEOUS.

6.1 This Agreement may not be modified, revised, altered, added to, or extended in any manner, or superseded except by an instrument in writing signed by the party to be charged thereby.

6.2 This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument representing the agreement of the parties hereto.

6.3 The failure by any party to enforce any provision of this Agreement shall not be construed in any way as a waiver of any such provision nor prevent that party thereafter from enforcing each and every provision of this Agreement.

6.4 The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects so as to permit the enforcement of each provision hereof to the fullest extent permitted by law.

6.5 The Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their successors and assigns; provided, however, no assignment by a party of its rights and/or interests in and to this Agreement shall in any manner relieve the assigning party of or from any of its obligations, liabilities or undertakings herein contained.

6.6 This Agreement contains the entire agreement between the parties hereto and supersedes any and all prior agreements or understandings between the parties relating to the subject matter hereof. No oral understandings, oral statements, oral promises or oral inducements exist. No representations, warranties, covenants or conditions, express or implied, whether by statute or otherwise, other than as set forth herein, have been made by the parties hereto.

6.7 This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement, as an instrument under seal as of the date set forth above.

International Electronics, Inc.

By: _____
John Waldstein, President

| Purchasers | Dollar amount of Investment |
| --- | --- |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

SCHEDULE A

Names and Addresses of Purchasers

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement, as an instrument under seal as of the date set forth above.

International Electronics, Inc.

By: _____
John Waldstein, President

| Purchasers | Dollar amount of Investment |
|---|---|
| CSC INDUSTRIES INC. | $220,000 |
| TOM MORGAN | $30,000 |
| THOMAS PASSIOR | $30,000 |
| CHARLIE DILL | $20,000 |

AGREED FOR By Kennedy CAPITAL MANAGEMENT

Gerald T Kennedy
PRESIDENT